

## TAX-TIME NEWSLETTER 2018

www.barkersmith.com.au

Welcome to Barker – Smith’s Tax-Time Newsletter for the 2018 tax year. In it we have gathered the most common queries we receive every year. We hope it is useful to you.

As in previous years, our mobile tax team is available for appointments Monday to Thursday 5:30pm to 8:30pm and Saturday 9am to 4pm. We also have office appointments every day, most evenings and some Saturday mornings.

Our individual tax returns start from \$135 with no hidden “extras”. Rental property returns start from \$195. If you have any queries, or would like an appointment please call the office on 9301 4677 or visit our website [www.barkersmith.com.au](http://www.barkersmith.com.au).

Barker-Smith Financial Solutions is also available if you need advice on any type of finance.

**We look forward to seeing you again in 2018!**

### Reminder about abolished tax offsets

Just a reminder that the following tax offset have been abolished.

#### Zone Tax Offset – Abolished (with some exceptions)

‘Fly-in fly-out’ (FIFO) and ‘drive-in drive-out’ (DIDO) workers cannot claim the Zone Tax Offset where their normal residence is not within a designated ‘zone’. This means that FIFO/DIDO workers cannot claim this tax offset if they do not genuinely also reside full-time in a zone.

#### Medical Expenses Tax Offset – Abolished (with some exceptions)

The Medical Expenses Tax Offset has been abolished with the following exceptions; disability aids, attendant care and aged care. Those expenses can be claimed until 30 June 2019.

#### Mature Age Worker and Dependent Spouse Tax Offset

Were abolished as of 1 July 2014.

#### Private Health Insurance Changes

As in 2016, the private health insurance rebate and the Medicare levy surcharge are income tested against **three** income tier thresholds. The income thresholds have increased and the rebate amounts have decreased for the 2018 tax year.

Higher income earners will receive less private health insurance rebate or, if they do not have the appropriate level of private patient hospital cover, the Medicare levy surcharge may increase. The family threshold increases by \$1,500 for each dependent child at home after the first.

Remember that salary sacrificed amounts are *included* as income for MLS calculations and the MLS is calculated for each day in the year that you did not have private health insurance. Therefore if you were over the income threshold and took out eligible health insurance half way through the year you would still be liable for the MLS for remaining half year. For further information on eligible type of cover contact your private health insurer or the ATO.

If you have over claimed the rebate (by underestimating your income) then you will be required to pay back the over claimed rebate as part of your tax return. (Don’t forget that the “income” definition includes “adding back” salary sacrifice, fringe benefits, and rental loss amounts).

If you have private health insurance, this year you will **require** the private health tax statement, in order to have your return completed, so we recommend you follow up with your private health insurer if you have not received it **before** booking your appointment. You will also need your spouse’s income details if we are not also preparing their return.

#### Summary of changes to Private Health insurance Rebate and Medicare Levy Surcharge.

	Base Tier	Tier 1	Tier 2	Tier 3
Singles	\$90,000 or less	\$90,001-\$105,000	\$105,001-\$140,000	\$140,001 or more
Families	\$180,000 or less	\$180,001-\$210,000	\$210,001-\$280,000	\$280,001 or more

#### Medicare levy surcharge (for no private health insurance)

All Ages	0.0%	1.0%	1.25%	1.5%

#### Private Health Insurance Rebate (to 31 March 2018)

Under 65	25.934%	17.289%	8.644%	0%
Age 65-69	30.256%	21.612%	12.966%	0%
Age 70+	34.579%	25.934%	17.289%	0%

#### Immediate \$20,000 Asset write off for small business.

This measure allows small business to immediately deduct the cost of any business use asset up to \$20,000. There is no limit to the number of assets that can be purchased and the assets do not need to be new.

In order to be eligible the entity must be a “business” (not a personal service/labour only subcontractor) and have turnover less than \$2M. For GST registered businesses the value of the asset must be \$20,000 excluding GST.

This has been extended again until 30 June 2019.

#### Work Related Deductions

If you have incurred expenses for your job, then you may be able to claim part or all of those expenses as a tax deduction. There is a common misunderstanding with work related deductions about the \$300 substantiation limit.

You are able to claim up to \$300 *in total* for work related deductions without receipts, but if you did not actually have \$300 of expenses, then you cannot automatically claim the full \$300. Also if your claim exceeds \$300 in total, then you must have receipts for the total amount, *including* the first \$300.

Examples of expenses include, use of a home computer for work, mobile phone calls, stationery purchased to use at work eg diary, pens etc, protective clothing (including hats, sunscreen and sunglasses for outdoor workers), and uniform with company logos. As with any tax deduction, if there is any private use, then you must record that private use and not claim that percentage. Also receiving an allowance from your employer does not automatically entitle you to a deduction.

Laundry is also going to be a key area of focus this year, you must wear a uniform or similar to claim laundry, you can't claim it for "ordinary" clothing, suits etc even if your employer says you MUST wear it.

Motor Vehicle and self-education expenses are always an area of focus for the tax office. According to the ATO the main areas of concern for these deductions are;

- 1) Insufficient documentation for motor vehicle and travel claims (no log book/receipts). Remember your log book must be valid to make a claim.
- 2) Incorrectly claiming motor vehicle expenses, especially travelling from home to work.
- 3) Incorrectly claiming training and self-education expenses where the training is not directly related to the current employment (for example claiming training to get a new job or "self-improvement/development" courses)
- 4) Incorrectly claiming home office, mobile phone and internet expenses (no evidence for the work portion).

If you wish to claim these expenses, please ensure you have the appropriate documentation to support your claim.

### Rental Properties

The tax office continues to view rental properties as a key audit area, particularly "holiday homes" that are infrequently rented. Here are a few tips that can help you maximise your deduction and avoid unnecessary complications from the tax office. Don't forget travel to rental properties can **NO LONGER** be claimed.

- 1) Keep the rental property mortgage separate from your home's mortgage so there's no ambiguity as to the amount of interest charged on it (this principle also applies for funds used for investments like shares etc).
- 2) Keep accurate records of rent received and expenses. If you use a property manager, request an end-of-year report. Note also that rent charged to tenants must be a market-value rate or your deductions cannot exceed the rent received. This is particularly important where you rent to a family member or friend.
- 3) Consider a quantity survey to maximise your depreciation claim.
- 4) Request a copy of the ATO publication "Rental Properties" for a detailed explanation of making rental property claims and negative gearing.
- 5) If this is your first year with a rental property or have refinanced, we'll also need your loan documents to ascertain borrowing expenses.
- 6) Note that many of the fees involved in purchasing and making a property ready to rent (improvements etc) are NOT deductible and must be written off against the value of the property when sold. The ATO has identified this as a key focus area also.

If you're looking at purchasing a rental property, or want to check you've got the best interest rate on your home or investment mortgage, call our Barker-Smith Financial Solutions for an obligation-free chat to discuss your requirements. Having access to a large range of lenders, we can save you a trip to the bank and make sure you're getting the best deal and correct structure.

### Motor Vehicles

Employees can claim a deduction for using their motor vehicle for work-related purposes. Generally this includes travel between two places of work on the same day, visiting clients etc.

The trip from home to work is *not* tax deductible for employees even if you are on-call, the travel is after-hours or you are seconded to another location. There are two main methods for making a claim for motor vehicle.

The "set rate per kilometre" is the easiest method to use, and simply involves recording the mileage for work-related trips up to a maximum of 5000km. You do not have to keep receipts for fuel etc, and the mileage can be recorded in an ordinary diary or similar. This method is best suited to older vehicles or vehicles where the percentage of business mileage is low.

The other main method is the log book method. With this method you record all business trips in a log book for 12 weeks, and then calculate the percentage of business use for that period. You then claim that percentage of running expenses (fuel, servicing, rego, insurance etc) as well as depreciation and any lease or interest payments. This method is best suited to vehicles less than five years old that are financed.

Don't forget that Barker-Smith Financial Solutions can source finance for work vehicles, trucks and equipment. Call us for the best advice on your finance requirements.

### Claiming donations to charity

You can claim a tax deduction for a charitable donation if the organisation is a registered deductible gift recipient and issues you with a receipt. A donation is a straight monetary gift, it does NOT include raffle tickets, dinners, calendars or generally any circumstance where you receive something in return even if it is from a registered charity. Also church donations are not included, unless the church has a registered building fund in which case you will need a receipt from them also.

A web receipt or credit card statement is acceptable if you donated over the phone, web or through third parties such as banks or retail outlets. Be aware many online platforms like GoFundMe are NOT registered charities.

### Record Keeping

Records must generally be retained for a period of 5 years after the return is lodged so that claims can be substantiated if required in a subsequent audit. We recommend retaining all information in relation to the 2018 tax year until at least 2022. However if your affairs are simple, ie you only have salary, interest or dividend income and don't claim work related expenses, then you only need to keep records to 2 years. For assets subject to capital gains tax, records of the purchase and sale must be kept for 5 years after the sale.

### Home Loan Health Check

Thinking about refinancing, purchasing a new home, or consolidating some debt? Call our office for professional advice on the right home loan for your situation. Barker-Smith Financial Solutions can assist with home and investment loans from Australia's major lenders. Best of all this service is free and we have day and evening appointments – no more taking time off work to visit the bank!

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